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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

**AUDITED FINANCIAL STATEMENTS,
SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 1999 AND 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-9-00

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

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SUPPLEMENTARY DATA AND AUDITORS'
REPORTS ON INTERNAL CONTROLS
AND COMPLIANCE**

MAY 31, 1999 AND 1998

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Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report

We have audited the accompanying Balance Sheets - Unrestricted Funds of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of May 31, 1999 and 1998, and the related Statements of Operations - Unrestricted Funds, Changes in Fund Balance - Unrestricted and Cash Flows - Unrestricted Funds for the years then ended. These financial statements are the responsibility of the Hospital's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital, as of May 31, 1999 and 1998, and the results of its operations and its cash flows of unrestricted funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Hospital's internal control structure and a report on its compliance with laws and regulations dated July 21, 1999.

Smith, Turner & Reeves

Jackson, Mississippi
July 21, 1999

FINANCIAL STATEMENTS

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

BALANCE SHEETS - UNRESTRICTED FUNDS

MAY 31, 1999 AND 1998

ASSETS	<u>1999</u>	<u>1998</u>
CURRENT ASSETS:		
Cash and cash equivalents - Note 2	\$ 29,122	\$ 71,150
Receivables:		
Patient accounts, net of estimated uncollectibles and contractual adjustments of \$580,000 and \$835,000 in 1999 and 1998, respectively - Note 3	870,921	1,351,125
Due from third-party payors - Note 4	205,094	408,773
Other	2,290	2,290
Net receivables	1,078,305	1,762,188
Inventories	111,712	67,632
Prepaid expenses	33,309	40,594
TOTAL CURRENT ASSETS	1,252,448	1,941,564
PROPERTY, BUILDINGS AND EQUIPMENT, NET -		
Note 5	952,811	905,761
ASSETS LIMITED AS TO USE - Notes 2 and 6	880,317	826,854
TOTAL ASSETS	\$ 3,085,576	\$ 3,674,179

See accompanying Notes to Financial Statements.

LIABILITIES AND FUND BALANCE

	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES:		
Current portion of long-term liabilities	\$ 41,000	\$ 44,000
Accounts payable	199,125	470,068
Accrued expenses	<u>531,582</u>	<u>461,320</u>
TOTAL CURRENT LIABILITIES	771,707	975,388
LONG-TERM LIABILITIES, EXCLUDING CURRENT PORTION - Note 7	50,315	74,902
COMMITMENTS AND CONTINGENCIES - Notes 4 and 8	-	-
FUND BALANCE - UNRESTRICTED	<u>2,263,554</u>	<u>2,623,889</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,085,576</u>	<u>\$ 3,674,179</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

STATEMENTS OF OPERATIONS - UNRESTRICTED FUNDS

YEARS ENDED MAY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
NET PATIENT SERVICE REVENUE - Note 3	\$ 4,168,224	\$ 5,411,774
OTHER OPERATING REVENUE - Note 9	<u>238,591</u>	<u>220,426</u>
TOTAL OPERATING REVENUE	4,406,815	5,632,200
OPERATING EXPENSES:		
Salaries and wages - Note 10	2,276,550	1,974,596
Supplies and other	1,588,905	2,662,972
Employee benefits - Note 10	301,615	303,982
Depreciation	131,922	110,410
Provision for bad debts, net	509,992	1,324,456
Interest	<u>6,574</u>	<u>4,435</u>
TOTAL OPERATING EXPENSES	<u>4,815,558</u>	<u>6,380,851</u>
INCOME (LOSS) FROM OPERATIONS	(408,743)	(748,651)
NONOPERATING INCOME (EXPENSE):		
Interest income	44,858	63,881
Rental income	14,450	12,508
Gain (loss) on sale of investments	<u>(10,900)</u>	<u>(17,731)</u>
	<u>48,408</u>	<u>58,658</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>\$ (360,335)</u>	<u>\$ (689,993)</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**
STATEMENTS OF CHANGES IN FUND BALANCE - UNRESTRICTED
YEARS ENDED MAY 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
FUND BALANCE, BEGINNING OF YEAR	\$ 2,623,889	\$ 3,313,882
EXCESS OF REVENUE OVER (UNDER) EXPENSES	<u>(360,335)</u>	<u>(689,993)</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,263,554</u></u>	<u><u>\$ 2,623,889</u></u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
STATEMENTS OF CASH FLOWS - UNRESTRICTED FUNDS
YEARS ENDED MAY 31, 1999 AND 1998
Increase (Decrease) in Cash and Cash Equivalents**

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:		
Excess of revenue over (under) expenses	\$ (360,335)	\$ (689,993)
Adjustments to reconcile revenue and gains in excess of expenses to net cash provided by operating activities and gains:		
Depreciation	131,922	110,410
Loss on sale of assets	10,900	17,731
Provisions for losses on accounts receivable	(255,000)	409,000
Changes in operating assets and liabilities:		
(Increase) decrease in receivables, net	938,883	(1,376,307)
(Increase) decrease in inventories	(44,080)	4,533
(Increase) decrease in prepaid expenses	7,285	5,665
Increase (decrease) in accounts payable and accrued expenses	<u>(200,681)</u>	<u>482,425</u>
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	228,894	(1,036,536)
CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of property and equipment	(172,681)	(124,495)
Proceeds from sale of assets	5,475	-
Principal payments on long-term liabilities	<u>(50,253)</u>	<u>(32,062)</u>
NET CASH FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(217,459)	(156,557)
CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:		
Decrease in certificates of deposit	-	203,218
(Increase) decrease in assets limited as to use	<u>(53,463)</u>	<u>559,698</u>
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(53,463)	762,916
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,028)	(430,177)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>71,150</u>	<u>501,327</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 29,122</u>	<u>\$ 71,150</u>

See accompanying Notes to Financial Statements.

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) is a governmental acute care hospital located in Lake Providence, Louisiana. It was created by the East Carroll Parish Police Jury. The Policy Jury appoints the Board of Commissioners of the Hospital. The Hospital is considered a political subdivision of the State of Louisiana and a component unit of East Carroll Parish.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Buildings and Equipment

Property, buildings and equipment are stated at cost. Donated property, buildings and equipment are recorded at fair market value at the date of donation, which then is treated as cost. The cost of additions and improvements, which substantially extend the useful life of a particular asset, is capitalized. Expenditures for maintenance and repairs are charged to expenses.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the accompanying financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Accounting

The Hospital uses the proprietary fund method of accounting, whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

Federal and State Income Taxes

As a political subdivision of the State of Louisiana, the Hospital is exempt from federal and state income taxes.

Donor Restricted Funds

The Hospital reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted fund balance is reclassified as unrestricted fund balance. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions.

The Hospital reports gifts of property and equipment (or other long-lived assets) as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Hospital reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no donor restricted fund balances at May 31, 1999 or 1998.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in recent years. The Hospital is insured for medical malpractice claims and judgments as discussed in Note 8.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

Deposits and Investments

It is the Hospital's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance.

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in (1) direct obligations of the United States Government pledged by its full faith and credit, (2) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral and (3) savings accounts at savings and loan associations and banks to the extent fully insured.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investment instruments purchased with an original maturity of three months or less.

NOTE 2 - CASH AND OTHER DEPOSITS

For financial statement purposes, cash and other deposits consist of demand accounts, insured savings accounts and certificates of deposit.

NOTE 2 - CASH AND OTHER DEPOSITS (CONTINUED)

At May 31, 1999 and 1998, the Hospital had bank balances as follows:

	<u>1999</u>	<u>1998</u>
Insured (FDIC)	\$ 200,000	\$ 200,000
Collateralized by securities held by the pledging financial institution's Trust Department in the Hospital's name	<u>767,134</u>	<u>643,831</u>
Total depository balance	<u>\$ 967,134</u>	<u>\$ 843,831</u>
Carrying value	<u>\$ 909,439</u>	<u>\$ 898,004</u>

NOTE 3 - NET PATIENT SERVICE REVENUE

The Hospital grants credit to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital has agreements with certain third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.
- Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at a prospectively determined per diem rate. Outpatient services are reimbursed at a percentage of cost, with final settlement determined after the submission of annual cost reports by the Hospital and audits by the Medicaid fiscal intermediary.

NOTE 3 - NET PATIENT SERVICE REVENUE (CONTINUED)

A summary of gross and net patient service revenue follows:

	<u>1999</u>	<u>1998</u>
Gross patient service revenue	\$ 4,766,088	\$ 5,626,934
Less provisions for contractual adjustments under third-party reimbursement programs, net of disproportionate share payment of \$658,573 and \$414,956 for 1999 and 1998, respectively	<u>(597,864)</u>	<u>(215,160)</u>
Net patient service revenue	<u>\$ 4,168,224</u>	<u>\$ 5,411,774</u>
Percentage of gross	<u>87%</u>	<u>96%</u>

A summary of gross revenue from patient services rendered under contract with major third-party payors follows:

	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>Percent of Total Patient Revenue</u>	<u>Amount</u>	<u>Percent of Total Patient Revenue</u>
Medicare	\$ 2,161,207	45.4	\$ 2,954,960	52.5
Medicaid	<u>869,250</u>	<u>18.2</u>	<u>1,244,471</u>	<u>22.1</u>
	<u>\$ 3,030,457</u>	<u>63.6</u>	<u>\$ 4,199,431</u>	<u>74.6</u>

NOTE 4 - DUE FROM (TO) THIRD-PARTY PAYORS

A summary of amounts due from (to) third-party payors follows:

	<u>1999</u>	<u>1998</u>
Due from (to) Medicare Program, net	\$ (6,808)	\$ 261,574
Due from Louisiana Medicaid Program, net	<u>211,902</u>	<u>147,199</u>
	<u>\$ 205,094</u>	<u>\$ 408,773</u>

NOTE 4 - DUE FROM (TO) THIRD-PARTY PAYORS (CONTINUED)

Reserve for future third-party retroactive adjustments (included in accrued expenses)	<u>\$ (413,000)</u>	<u>\$ (338,000)</u>
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NOTE 5 - PROPERTY, BUILDINGS AND EQUIPMENT

A summary of property, buildings and equipment follows:

	<u>1999</u>	<u>1998</u>
Land	\$ 21,000	\$ 21,000
Buildings and improvements	1,114,655	1,093,182
Equipment	415,908	442,156
Transportation equipment	233,771	202,796
Clinic	<u>186,278</u>	<u>188,664</u>
	1,971,612	1,947,798
Less accumulated depreciation	<u>(1,018,801)</u>	<u>(1,042,037)</u>
	<u>\$ 952,811</u>	<u>\$ 905,761</u>

NOTE 6 - ASSETS LIMITED AS TO USE

Assets limited as to use included investments in insured savings accounts and certificates of deposit which are held by the Hospital or its agent in the Hospital's name. The use of these funds were internally restricted by the Board. During 1999 and 1998, the Board lifted restrictions on the use of a portion of these funds, and they were transferred to operating funds.

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following:

	<u>1999</u>	<u>1998</u>
Note payable to Dr. Paris, a former employee, at 4%, payable in monthly installments of \$2,210, including principal and interest, uncollateralized, final payment due May 2001.	\$ 50,892	\$ 76,682

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

	<u>1999</u>	<u>1998</u>
Lease payable to IBM Credit Corporation, at varying interest rates, payable in monthly installments of \$1,625, including principal and interest, collateralized by equipment, final payment due October 2000.	\$ 18,056	\$ 42,220
Lease payable to Abbott Laboratories, Inc., at 9%, payable in monthly installments of \$472, including principal and interest, collateralized by equipment, final payment due April 2004.	<u>22,367</u>	<u>-</u>
	91,315	118,902
Less current portion	<u>(41,000)</u>	<u>(44,000)</u>
	<u>\$ 50,315</u>	<u>\$ 74,902</u>

The property acquired in connection with the above leases were noncash transactions and therefore excluded from the accompanying Statements of Cash Flows - Unrestricted Funds.

Annual maturities of long-term liabilities follow:

2000	\$ 41,000
2001	35,855
2002	4,530
2003	4,964
2004	<u>4,966</u>
	<u>\$ 91,315</u>

Interest expense paid (cash basis) was \$6,574 and 4,435 for 1999 and 1998, respectively.

NOTE 8 - MALPRACTICE INSURANCE

The Hospital's malpractice insurance coverage is a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured. Claims may be asserted against the Hospital arising from services provided to patients through May 31, 1999, in

NOTE 8 - MALPRACTICE INSURANCE (CONTINUED)

excess of insurance policy limits. No amounts have been accrued for potential claims in excess of insurance coverage.

NOTE 9 - OTHER OPERATING REVENUE

Other operating revenue consists of:

	<u>1999</u>	<u>1998</u>
Parish subsidy	\$ 197,245	\$ 182,067
Ambulance memberships	9,480	10,880
Sale of meals	9,447	8,627
Other revenue	<u>22,419</u>	<u>18,852</u>
	<u>\$ 238,591</u>	<u>\$ 220,426</u>

The parish subsidy represents property taxes collected for the benefit of the Hospital. Use of the subsidy is unrestricted.

NOTE 10 - SALARIES AND WAGES

At the beginning of fiscal year ended May 31, 1998, the Hospital began outsourcing all of its employees under an agreement with a third-party administrator. This agreement provided that the staff of the Hospital become legal employees of the administrator who performs the administrative personnel functions. The employees continue to serve at the pleasure of the Hospital's Administrator and the Board. For financial statement purposes, the outsourced payroll expenses have been classified as salaries and wages and employee benefits in the accompanying Statement of Operations - Unrestricted Funds.

NOTE 11 - OPERATING LOSSES

The Hospital has incurred operating losses for each of the past four reporting periods which total approximately \$2,100,000 cumulatively. Management's efforts to improve collections on accounts receivable resulted in improved results in 1999. However, a significant operating loss still occurred.

In order to continue to serve the residents of East Carroll Parish, Management must continue to improve operating efficiencies and consider other potential strategic changes to curtail future operating losses.

SUPPLEMENTARY DATA

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Supplementary Data

The audited financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital as of and for the years ended May 31, 1999 and 1998, and our report thereon dated July 21, 1999, are presented in the preceding section of this report. Our audits were made for the purpose of forming our opinion on the financial statements taken as a whole.

Supplementary data Schedules 1 through 4 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Smith, Turner & Reeves

Jackson, Mississippi
July 21, 1999

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**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
GROSS PATIENT SERVICE REVENUE BY DEPARTMENT
YEARS ENDED MAY 31, 1999 AND 1998**

	<u>Year Ended May 31, 1999</u>		
	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
ROUTINE SERVICES:			
Hospital	\$ 415,145	\$ -	\$ 415,145
Senior Care Unit	53,505	-	53,505
	<u>468,650</u>	<u>-</u>	<u>468,650</u>
ANCILLARY SERVICES:			
Radiology	39,044	222,226	261,270
Laboratory	180,757	247,192	427,949
Respiratory therapy	168,082	20,584	188,666
Electrocardiology	16,752	40,309	57,061
Central supply	341,928	183,591	525,519
Pharmacy	405,840	119,882	525,722
Emergency Room	-	395,245	395,245
Ambulance	-	1,010,346	1,010,346
Clinic	-	905,660	905,660
	<u>1,152,403</u>	<u>3,145,035</u>	<u>4,297,438</u>
	<u>\$ 1,621,053</u>	<u>\$ 3,145,035</u>	<u>\$ 4,766,088</u>
Percentage of total	<u>34%</u>	<u>66%</u>	<u>100%</u>

Schedule 1

Year Ended May 31, 1998

<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
\$ 258,990	\$ -	\$ 258,990
<u>1,340,040</u>	<u>-</u>	<u>1,340,040</u>
1,599,030	-	1,599,030
31,909	201,518	233,427
182,435	306,247	488,682
95,311	13,476	108,787
15,906	26,795	42,701
341,216	212,882	554,098
325,150	105,387	430,537
-	496,785	496,785
-	1,020,467	1,020,467
-	652,420	652,420
<u>991,927</u>	<u>3,035,977</u>	<u>4,027,904</u>
<u>\$ 2,590,957</u>	<u>\$ 3,035,977</u>	<u>\$ 5,626,934</u>

46%

54%

100%

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL EXPENSES
YEARS ENDED MAY 31, 1999 AND 1998**

	<u>Year Ended May 31, 1999</u>		
	<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
ROUTINE SERVICES:			
Hospital	\$ 558,510	\$ 17,787	\$ 576,297
Senior Care Unit	-	16,455	16,455
	<u>558,510</u>	<u>34,242</u>	<u>592,752</u>
ANCILLARY SERVICES:			
Radiology	68,450	51,631	120,081
Laboratory	115,486	167,049	282,535
Respiratory therapy	-	6,937	6,937
Electrocardiology	-	32,211	32,211
Central supply	-	49,216	49,216
Pharmacy	25,139	77,691	102,830
Emergency Room	-	536,203	536,203
Ambulance	410,014	73,323	483,337
Clinic	802,535	169,041	971,576
	<u>1,421,624</u>	<u>1,163,302</u>	<u>2,584,926</u>
OTHER DEPARTMENTS:			
General and administrative	152,014	244,410	396,424
Dietary	46,820	47,665	94,485
Environmental services and plant operations	65,871	98,249	164,120
Medical records	31,711	1,037	32,748
	<u>296,416</u>	<u>391,361</u>	<u>687,777</u>
	<u>\$ 2,276,550</u>	<u>\$ 1,588,905</u>	<u>\$ 3,865,455</u>

Schedule 2

<u>Year Ended May 31, 1998</u>		
<u>Salaries and Wages</u>	<u>Supplies and Other Expenses</u>	<u>Total</u>
\$ 528,004	\$ 36,204	\$ 564,208
-	994,843	994,843
<u>528,004</u>	<u>1,031,047</u>	<u>1,559,051</u>
34,901	53,680	88,581
101,600	137,648	239,248
-	6,898	6,898
-	20,581	20,581
-	41,477	41,477
23,216	123,515	146,731
-	596,193	596,193
382,072	84,169	466,241
615,557	113,107	728,664
<u>1,157,346</u>	<u>1,177,268</u>	<u>2,334,614</u>
141,835	301,236	443,071
42,760	45,946	88,706
84,982	106,324	191,306
19,669	1,151	20,820
<u>289,246</u>	<u>454,657</u>	<u>743,903</u>
<u>\$ 1,974,596</u>	<u>\$ 2,662,972</u>	<u>\$ 4,637,568</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
DEPARTMENTAL REVENUE AND EXPENSES
YEARS ENDED MAY 31, 1999 AND 1998**

	<u>Year Ended May 31, 1999</u>			
	<u>Gross Revenue</u>		<u>Expenses</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
ROUTINE SERVICES:				
Hospital	\$ 415,145	8.7	\$ 576,297	12.0
Senior Care Unit	53,505	1.1	16,455	0.3
	<u>468,650</u>	<u>9.8</u>	<u>592,752</u>	<u>12.3</u>
ANCILLARY SERVICES:				
Radiology	261,270	5.5	120,081	2.5
Laboratory	427,949	9.0	282,535	5.9
Respiratory therapy	188,666	4.0	6,937	0.2
Electrocardiology	57,061	1.2	32,211	0.7
Central supply	525,519	11.0	49,216	1.0
Pharmacy	525,722	11.0	102,830	2.1
Emergency Room	395,245	8.3	536,203	11.1
Ambulance	1,010,346	21.2	483,337	10.0
Clinic	905,660	19.0	971,576	20.2
	<u>4,297,438</u>	<u>90.2</u>	<u>2,584,926</u>	<u>53.7</u>
OTHER DEPARTMENTS	-	-	687,777	14.3
EMPLOYEE BENEFITS	-	-	301,615	6.3
DEPRECIATION	-	-	131,922	2.7
BAD DEBTS	-	-	509,992	10.6
INTEREST	-	-	6,574	0.1
	<u>\$ 4,766,088</u>	<u>100.0</u>	<u>\$ 4,815,558</u>	<u>100.0</u>

Schedule 3

Year Ended May 31, 1998

<u>Gross Revenue</u>		<u>Expenses</u>	
<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
\$ 258,990	4.6	\$ 564,208	8.8
1,340,040	23.8	994,843	15.6
<u>1,599,030</u>	<u>28.4</u>	<u>1,559,051</u>	<u>24.4</u>
233,427	4.2	88,581	1.4
488,682	8.7	239,248	3.7
108,787	1.9	6,898	0.1
42,701	0.8	20,581	0.3
554,098	9.8	41,477	0.7
430,537	7.7	146,731	2.3
496,785	8.8	596,193	9.4
1,020,467	18.1	466,241	7.3
652,420	11.6	728,664	11.4
<u>4,027,904</u>	<u>71.6</u>	<u>2,334,614</u>	<u>36.6</u>
-	-	743,903	11.6
-	-	303,982	4.8
-	-	110,410	1.7
-	-	1,324,456	20.8
-	-	4,435	0.1
<u>\$ 5,626,934</u>	<u>100.0</u>	<u>\$ 6,380,851</u>	<u>100.0</u>

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SURETY BONDS
YEAR ENDED MAY 31, 1999**

<u>Name</u>	<u>Position</u>	<u>Surety</u>
Richard Howard	Board	Executive Risk Indemnity, Inc.
Daniel Terral	Board	Executive Risk Indemnity, Inc.
Donna Winters	Board	Executive Risk Indemnity, Inc.
Vera Porter	Board	Executive Risk Indemnity, Inc.
Don W. Bailey, M.D.	Board	Executive Risk Indemnity, Inc.
LaDonna Englerth	Administrator	Executive Risk Indemnity, Inc.
Public Employees Blanket Bond	All Employees	EMC Insurance Companies

Executive Risk Indemnity, Inc. has a maximum limit of liability of \$1,000,000.

EMC Insurance Companies has a maximum limit of liability of \$100,000.

Smith, Turner & Reeves

A Professional Association
Certified Public Accountants / Financial Consultants

Board of Commissioners
East Carroll Parish Hospital Service District, dba
East Carroll Parish Hospital
Lake Providence, Louisiana

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of East Carroll Parish Hospital Service District, dba East Carroll Parish Hospital (the Hospital) as of and for the year ended May 31, 1999, and have issued our report thereon dated July 21, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Finding No. 1 – Audit Not Timely Filed

The Hospital failed to complete its audit by the statutory due date of November 30, 1999, as required by Louisiana Revised Statute 24:513.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our

opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below. During our audit, we noted that prior year findings titled "Payroll", "Accounts Receivable" and "Year 2000 Susceptibility" have been corrected.

Finding No. 2 - Cash Disbursements

We noted some purchases were paid from vendor statements rather than from original invoices. Also, we noted that supporting invoices are not always canceled when paid. To reduce the risk of duplicate payment for purchases, we recommend vendors only be paid from original invoices, and that invoices be canceled with the date and check number when paid.

We also noted that the Hospital does not use receiving reports, and that there is no indication on invoices whether goods have actually been received prior to payment. We recommend Management consider using preprinted receiving reports or, at a minimum, receipt of goods be documented on the invoice prior to payment.

Our recommendations are designed to improve disbursement controls. Nothing came to our attention during the audit to indicate any misappropriations or duplicate payments.

Finding No. 3 - Separation of Duties (Clinic)

Although the small size of the Clinic's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

One of the most critical areas of separation is cash, where we noted that there is not adequate separation of duties as they relate to cash receipts, deposits and patient accounts receivable. Currently, persons who handle patient payments and prepare the daily deposits also have access to the patient accounts receivable system. The result is the danger that intentional or unintentional errors could be made and not detected. We suggest that the receptionist open the mail, prepare a prelist of the cash received and prepare the deposit slip. Additionally, we recommend that anyone who has access to patient accounts not handle patient payments. These simple steps would not require the addition of any new employees or add significant time to either the receptionist's or others' time.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and

not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration on the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described previously in this report, we consider the item entitled "Separation of Duties (Clinic)" to be a material weakness.

This report is intended for the information of the Board of Commissioners, Management and the Office of the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Smith, Turner & Reeves

Jackson, Mississippi
July 21, 1999

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL**

CORRECTIVE ACTION PLAN FOR
CURRENT YEAR AUDIT FINDINGS
YEAR ENDED MAY 31, 1999

<u>Reference No.</u>	<u>Description of Finding</u>	<u>Corrective Action</u>	<u>Contact Person</u>	<u>Anticipated Completion Date</u>
1	Audit Not Timely Filed	East Carroll Parish Hospital did not meet the six month deadline in completing the audit due to a problem in receiving information needed from the Louisiana Division of Medicaid to complete our annual Medicaid cost report. This was due to no fault of the Hospital and is not anticipated to reoccur.	LaDonna Englerth	December 1999
2	Cash Disbursements	In most instances, purchases are paid from invoices. Duplicate checks are used, a copy of which is attached to the invoices to prevent duplicate payments. There were a couple of cases where the check copy was not attached in the file. Copies of checks will be attached to all invoices paid.	LaDonna Englerth	July 1999
		Received goods will be documented by person receiving the goods on the shipping ticket or invoice.	LaDonna Englerth	November 1999
3	Separation of Duties (Clinic)	Separation of duties has clearly been delineated by the following: The Administrator opens the mail and gives the checks to the receptionist who prepares the deposit. The receptionist does not have the capability of posting to patient accounts. Only the billing clerks have access to posting transactions.		July 1999

**EAST CARROLL PARISH HOSPITAL SERVICE DISTRICT, DBA
EAST CARROLL PARISH HOSPITAL
SUMMARY OF PRIOR AUDIT FINDINGS
YEAR ENDED MAY 31, 1999**

<u>Reference No.</u>	<u>Description of Finding</u>	<u>Resolution</u>
1	Payroll	Resolved
2	Cash Disbursements	Repeat Finding
3	Accounts Receivable	Resolved
4	Year 2000 Susceptibility	Resolved